

NORTH DAVIS FIRE DISTRICT
A COMPONENT UNIT OF CLEARFIELD CITY
FINANCIAL REPORT
JUNE 30, 2006

NORTH DAVIS FIRE DISTRICT

FINANCIAL REPORT

A COMPONENT UNIT OF CLEARFIELD CITY

JUNE 30, 2006

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The management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Seamitt, Giffite, Smirn, C. P.C.

November 8, 2006

Management's Discussion and Analysis

As management of the North Davis Fire District (hereafter referred to as the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the notes to the financial statements. This is the first year of operation for the District; therefore, there are no comparisons to any previous years.

History and Background of District

The District was organized September 14, 2004 and began operations July 1, 2005 by a vote of Clearfield City. The District is the primary provider of fire, ambulance, and paramedic service for Clearfield City and West Point City.

Financial Highlights:

The assets of the District exceeded its liabilities at June 30, 2006 by \$1,004,304 (net assets). The portion of net assets which represents the amount the District can use to meet on-going financial obligations is the unrestricted net assets. This amount was \$515,396 at June 30, 2006.

At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$508,896, or 31 percent of total general fund expenditures.

Overview of Financial Statements:

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Fund financial statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide statements.

Government-wide Financial Statements:

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions, intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District are fire suppression, fire prevention, fire training, EMS support, hazmat services, arson/bomb investigations, and emergency management. The District currently does not have any business-type activities.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as government activities in the government-wide financial statements. However, unlike the governmental financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate comparison between *governmental funds* and *governmental activities*.

Governmental funds (continued)

The District maintains one major fund under governmental funds. Information is presented separately: in the governmental fund balance sheet and in the governmental fund statement of revenues, expenses and changes in fund balances for the General Fund.

The District adopts an annual appropriated budget for its funds. A budgetary comparison statement is provided for these funds to demonstrate compliance with this budget.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful measurement to assist with understanding the financial position of the District. At the close of June 30, 2006, assets exceeded liabilities by \$1,004,304.

Statement of Net Assets

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 445,292
Restricted cash and cash equivalents	48,839
Receivables	176,801
Capital assets, net of depreciation	674,980
Total Assets	<u>1,345,912</u>
Liabilities	
Accounts payable	28,331
Accrued liabilities	33,699
Capital lease payments current	100,005
Accrued compensated absences	44,666
Capital lease payments noncurrent	134,906
Total Liabilities	<u>341,608</u>
Net Assets	
Invested in capital assets, net of related debt	440,069
Restricted	48,839
Unrestricted	515,396
Total Net Assets	<u>\$ 1,004,304</u>

Investment in capital assets is comprised of computers, furniture, machinery, and transportation equipment of \$674,980. This amount includes capital assets donated from Clearfield City, at inception, with a fair market value of \$421,108.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with financial related legal requirements.

Governmental funds

The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and the balance of spendable resources. Such information is useful in assessing the District's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2006, the aggregate fund balance of the District's governmental funds was \$508,896. Approximately 50% of the aggregate fund balance is undesignated, which is available for appropriation by the District Board. The remainder of the fund balance is either reserved or designated and is not available for new spending because it has already been committed.

Changes in Net Assets

Operating revenues	\$ 2,633,298
Operating expenses	<u>1,622,655</u>
Operating income	1,010,643
Non-operating expenses, net	<u>(6,339)</u>
Change in net assets	1,004,304
Net assets - beginning	-
Net assets - ending	<u><u>\$ 1,004,304</u></u>

The net assets reflect the District's conservative spending, and overall efficient management of assets, in this initial operating year.

General Fund Budgetary Highlights

Differences between the final budget and the actual at June 30, 2006 can be briefly summarized as follows:

\$673,770 increase in total revenue.

\$920,402 increase in total expenses.

The increase in total revenue and the increase in total expenses was a result of budgeting for a first year operation and having no prior year to compare to.

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets for governmental activities at June 30, 2006, was \$674,980 (net of depreciation). The investment in capital assets include computer equipment, furniture, light and heavy vehicles, and machinery.

Furniture and equipment	\$ 109,108
Equipment	648,143
	<hr/> 757,251
Less: accumulated depreciation	(82,271)
Net Capital Assets	<hr/> <u>\$ 674,980</u>

Capital Lease Obligations

The District currently has \$234,911 in capital lease obligations. Of this amount \$100,005 is due in the current year. The leases are secured by fire trucks and ambulance with a total net book value of \$306,983. The District sub-leased \$229,243 of capital lease obligations from Clearfield City related to the two fire trucks. In addition the District entered into a capital lease agreement of \$86,900 to purchase an ambulance. Lease payments made during the year totaled \$88,543 of which \$7,311 was interest related charges.

Economic Factors and Next Year's Budgets and Rates

Governmental Activities

Again, because this is the first year to report governmental activities on the accrual basis of accounting, a comparison to the prior year is not possible. However, in next year's discussion this section will show a condensed financial comparison of revenues and expenses and provide explanations for significant differences.

Subsequent Events

The District is in the process of acquiring land and building a fire station in West Point City. The District plans to either issue revenue bonds or enter into a capital lease to fund the construction.

The District entered into a tax anticipation note Series 2006 of \$300,000 interest rate of 4.3% on October 3, 2006.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those interested in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to North Davis Fire District, Attn: Fire Chief, 88 East Center Street, Clearfield, UT 84015.

NORTH DAVIS FIRE DISTRICT
A COMPONENT UNIT OF CLEARFIELD CITY
STATEMENT OF NET ASSETS
JUNE 30, 2006

Governmental
Activities

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 445,292
Restricted cash and cash equivalents held by trustee	48,839
Accounts receivable, (net of allowance for doubtful accounts of \$22,751)	<u>176,801</u>
Total current assets	<u>670,932</u>

NONCURRENT ASSETS

Capital assets	
Furniture and equipment	109,108
Vehicles	648,143
Less accumulated depreciation	<u>(82,271)</u>
Total capital assets (net of accumulated depreciation)	<u>674,980</u>
Total noncurrent assets	<u>674,980</u>
Total Assets	<u>1,345,912</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable	28,331
Accrued liabilities	33,699
Capital lease payable	<u>100,005</u>
Total current liabilities	<u>162,035</u>

NONCURRENT LIABILITIES

Accrued compensated absences	44,666
Capital lease payable	<u>134,906</u>
Total noncurrent liabilities	<u>179,572</u>
Total Liabilities	<u>341,608</u>

NET ASSETS

Invested in capital assets, net of related debt	440,069
Restricted	48,839
Unrestricted	<u>515,396</u>
Total Net Assets	<u>\$ 1,004,304</u>

The Notes to Financial Statements are an integral part of this statement.

NORTH DAVIS FIRE DISTRICT
A COMPONENT UNIT OF CLEARFIELD CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

	Governmental Activities
OPERATING REVENUES	
Member Fees	\$ 1,337,700
Ambulance	657,850
Grants and Donations	500,790
Impact Fees	48,839
Paramedic Fees	36,262
EMS Fees	34,228
Other income	17,629
Total operating revenue	<u>2,633,298</u>
OPERATING EXPENSES	
Direct salaries and benefits	983,411
Direct services provided	247,455
Administrative salaries and benefits	182,154
Administrative expenses	127,364
Depreciation	82,271
Total operating expenses	<u>1,622,655</u>
Operating Income	<u>1,010,643</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income	972
Interest expense	(7,311)
Total Non-Operating Income (Expense)	<u>(6,339)</u>
Change in Net Assets	1,004,304
TOTAL NET ASSETS - BEGINNING	-
TOTAL NET ASSETS - ENDING	<u>\$ 1,004,304</u>

The Notes to Financial Statements are an integral part of this statement.

NORTH DAVIS FIRE DISTRICT
A COMPONENT UNIT OF CLEARFIELD CITY
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2006

	General Fund
<u>ASSETS</u>	
Cash and cash equivalents	\$ 445,291
Restricted cash and cash equivalents held by trustee	48,839
Accounts receivable, (net of allowance for doubtful accounts of \$22,751)	<u>176,801</u>
Total Assets	<u>\$ 670,931</u>
<u>LIABILITIES AND FUND BALANCES</u>	
<u>LIABILITIES</u>	
Accounts payable	\$ 28,331
Accrued liabilities	33,699
Current capital lease payables	<u>100,005</u>
Total liabilities	<u>162,035</u>
<u>FUND BALANCES:</u>	
Unreserved, designated for, reported in:	
Unreserved, undesignated	<u>508,896</u>
Total Fund Balance	<u>508,896</u>
Total Liabilities and Fund Balances	<u>\$ 670,931</u>

Amounts reported for the governmental activities in the statement of net assets are different because:

General Fund Balance	\$ 508,896
Total noncurrent assets	674,980
Accrued compensated absences	(44,666)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.	<u>(134,906)</u>
Net assets of governmental activities	<u>\$ 1,004,304</u>

The Notes to Financial Statements are an integral part of this statement.

NORTH DAVIS FIRE DISTRICT
A COMPONENT UNIT OF CLEARFIELD CITY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund
REVENUES	
Interlocal agreement Fees	\$ 1,337,700
Ambulance	657,850
Grants and Donations	79,682
Impact Fees	48,839
Paramedic Fees	36,262
EMS Fees	34,228
Interest Income	972
Other income	17,629
Total operating revenue	<u>2,213,162</u>
EXPENDITURES	
Current:	1,120,899
Salaries and benefits	247,455
Emergency Service expenses	127,364
Administrative expenses	
Debt Service	81,232
Principal	7,311
Interest	
Capital Outlay	229,243
Fire Trucks	106,900
Ambulance	<u>1,920,404</u>
Total Expenditures	
Excess (deficiency) of revenues over (under) expenditures	<u>292,758</u>
OTHER FINANCING SOURCES (USES)	
Capital Leases	<u>216,138</u>
Total other financing sources and uses	<u>216,138</u>
Net change in fund balances	508,896
FUND BALANCE - BEGINNING	-
FUND BALANCE - ENDING	<u><u>\$ 508,896</u></u>

The Notes to Financial Statements are an integral part of this statement.

NORTH DAVIS FIRE DISTRICT
A COMPONENT UNIT OF CLEARFIELD CITY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCE - GENERAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Amounts reported for governmental activities in the statement of activities
are different because:

Net change in fund balance - General Fund	\$ 508,896
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Governmental fund's report capital outlays as expenditures. However, statement of activities report the cost of those assets allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	674,980
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items	(134,906)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<div style="border-top: 1px solid black; display: inline-block;">(44,666)</div>
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Change in net assets of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block;">\$ 1,004,304</div>
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The Notes to the Financial Statements are an integral part of this statement

NORTH DAVIS FIRE DISTRICT
A COMPONENT UNIT OF CLEARFIELD CITY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	Budget Amount		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Member fees	\$ 1,339,000	\$ 1,339,000	\$ 1,337,700	\$ (1,300)
Ambulance	300,000	300,000	657,850	357,850
Grants and donations	91,000	91,000	500,790	409,790
Impact fees	50,000	50,000	48,839	(1,161)
Paramedic fees	85,000	85,000	36,262	(48,738)
EMS fees	24,000	24,000	34,228	10,228
Interest income	-	-	972	972
Other income	71,500	71,500	17,629	(53,871)
Total operating revenue	<u>1,960,500</u>	<u>1,960,500</u>	<u>2,634,270</u>	<u>673,770</u>
EXPENDITURES				
Current:				
Salaries and benefits	1,183,471	1,183,471	1,146,604	(36,867)
Emergency service expenses	324,134	324,134	247,455	(76,679)
Administrative expenses	368,993	368,993	127,364	(241,629)
Debt Service				
Principal	-	-	81,232	81,232
Interest	-	-	7,311	7,311
Capital Outlay				
Fire trucks	-	-	229,243	229,243
Ambulance	-	-	106,900	106,900
Total Expenditures	<u>1,876,598</u>	<u>1,876,598</u>	<u>1,946,109</u>	<u>69,511</u>
Excess (deficiency) of revenues over (under) expenditures	<u>83,902</u>	<u>83,902</u>	<u>688,161</u>	<u>604,259</u>
OTHER FINANCING SOURCES (USES)				
Capital Leases	-	-	316,143	316,143
Total other financing sources and uses	-	-	316,143	316,143
Net change in fund balances	<u>83,902</u>	<u>83,902</u>	<u>1,004,304</u>	<u>920,402</u>
FUND BALANCE - BEGINNING	-	-	-	-
FUND BALANCE - ENDING	<u>\$ 83,902</u>	<u>\$ 83,902</u>	<u>\$ 1,004,304</u>	<u>\$ 920,402</u>

The first years budget was prepared based on historical information of Clearfield City's fire department. This results in the actual amounts being substantially different than the budgeted amounts. The transactions dealing with debt service, capital outlays, and donations were not reflected in the budget.

**NORTH DAVIS FIRE DISTRICT
A COMPONENT UNIT OF CLEARFIELD CITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of North Davis Fire District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounts Standards Board (GASB) is the accepted standard setting body for establishing accounting and financial reporting principles. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statement to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

The financial statements include:

A Management's Discussion and Analysis (MD&A) providing an analysis of the District's overall financial position and results of operations.

Financial statements prepared using full-accrual accounting for all of the District's activities.

A change in the fund financial statements to focus on the major funds.

These are reflected in the accompanying financial statements.

A. Reporting Entity

North Davis Fire District (the District), is an independent special service district created in 2004 by Clearfield City to provide fire protection services to Clearfield City and West Point City. The financial statements and notes are the representations of North Davis Fire District's management, which is responsible for their integrity and objectivity. This summary of significant accounting policies of the District is presented to assist in understanding the financial statements.

The District is governed by a seven member board of commissioners, which are appointed by Clearfield City. The District is a component unit of Clearfield City. Clearfield City votes to approve property taxes imposed by North Davis Fire District. The District sets its own budget.

B. Government -Wide and Fund Financial Statements Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the District. The effect of interfund activity has been removed from these statements.

NORTH DAVIS FIRE DISTRICT
A COMPONENT UNIT OF CLEARFIELD CITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government -Wide and Fund Financial Statements Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

The statements of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A statement is presented for governmental activities. This statement presents each major fund as a separate column of the fund financial statements.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures to compensated absences and claims and judgments, are recorded only when payment is due.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**NORTH DAVIS FIRE DISTRICT
A COMPONENT UNIT OF CLEARFIELD CITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets

Cash and Cash Equivalents

Unrestricted and restricted cash balances of all funds are combined to form a pool of cash and investments, which is managed by management of the District. Utah State Statutes allow for investments in the Utah Public Treasurers' Investment fund and Utah Money Management Act (UMMA) approved investments.

Receivables and payables

As of year end, the District recorded receivables for ambulance operations. Each year an allowance for uncollectible receivables is evaluated and adjusted to the level deemed necessary. As of June 30, 2006, uncollectible receivables were deemed to be \$22,751.

Restricted Assets

The District imposes impact fees on building construction. Proceeds from impact fees are restricted and can only be used for capital facilities.

Capital Assets

Capital assets are recorded at cost, or in the case of donated assets, at fair value. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets is charged as an expense on the District's operating statements. Accumulated depreciation is reported on the District's statement of net assets. Depreciation has been provided over the estimated useful lives of assets using the straight line method. The estimated useful lives of all depreciable capital assets are 10 years.

Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the general fund financial statements. A liability for these amounts is reported in the general fund only if they have matured, for example, as a result of employee resignation and retirements.

NORTH DAVIS FIRE DISTRICT
A COMPONENT UNIT OF CLEARFIELD CITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets (Continued)

Long-term obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

In the general fund financial statements the face amount of debt issued is reported as other financing sources.

Net Assets/Fund Balances

The difference between assets and liabilities is reported as net assets on the government wide and fund balance on the governmental fund statements.

In the governmental fund statements, fund balances are classified as reserved or unreserved. Reserves represent those portions of fund balance that are not available for expenditures, or are legally segregated for a specific future use. Unreserved fund balances are available for future appropriation, though some portions may be designated to represent management's tentative plans for specific future uses.

E. Revenues and Expenditures

Following are the District's significant policies related to recognition and reporting of certain revenues, expenditures, and interfund activity.

Revenue Availability

Under the modified accrual basis of accounting, revenues are considered to be available when they are collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. Grants and similar items are recognized as revenue when all eligibility requirements have been met. All other revenues, are considered to be available if they are collected within 60 days after year-end.

Expenditure Recognition

In governmental funds, expenditures are generally recorded with the related liability as incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures, and proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

NORTH DAVIS FIRE DISTRICT
A COMPONENT UNIT OF CLEARFIELD CITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

F. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, and natural disasters for which the District carries commercial insurance. The District also carries commercial workers' compensation insurance. Settlement claims resulting from these risks did not exceed commercial insurance coverage during the past year.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The District operates within the budget requirements for special service districts as specified by state law. Under state law, an annual budget is required for all governmental fund types. The financial reports reflect the following budgetary standards:

1. On or before the first regularly scheduled meeting of the Administrative Control Board (Board) in May of each year, the Fire Chief submits to the Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenses and the means of financing them.
2. The Board reviews and tentatively adopts the budget submitted.
3. A public hearing is conducted to obtain constituent and customer comments. The Board makes any necessary and proper adjustments to the budget.
4. Prior to the beginning of the fiscal year, the budget is enacted by adoption of a resolution by the Board.
5. The budget may be amended any time during the year. The amended budget is enacted by a resolution by the Board. The 2005-06 budget was amended during the year.
6. Formal budgetary integration is employed as a management control device during the year.

NORTH DAVIS FIRE DISTRICT
A COMPONENT UNIT OF CLEARFIELD CITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits and investments for local government are governed by the Utah Money management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposit may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the District to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$425 of the District's bank balance was insured and collateralized.

Investments. Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk of investments. The entire \$510,997 of the District's investments in Accessor US government fund are uninsured, unregistered, and held by the counterparty's trust department but not in the local government's name and are therefore exposed to custodial credit risk.

Credit Risk. Credit Risk is the risk that the counterparty to an investment will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investments securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rates "A" or higher by two nationally recognized statistical rating organizations as defined by the Act.

Following are the local government's investments at June 30, 2006

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
Accessor US government Fund	\$ 510,997	less than 1 year	not rated

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The district manages its exposure to declines in fair value by investing in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits

NORTH DAVIS FIRE DISTRICT
A COMPONENT UNIT OF CLEARFIELD CITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy to limit this risk is to adhere to the rules of the Money Management Council. The Council's rule 17 limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the District's portfolio at the time of purchase.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated				
Furniture and equipment	\$ -	\$ 109,108	\$ -	\$ 109,108
Vehicles	-	648,143	-	648,143
Total capital assets, being depreciated	-	757,251	-	757,251
Less accumulated depreciation				
Furniture and equipment	-	10,911	-	10,911
Vehicles	-	71,360	-	71,360
Total accumulated depreciation	-	82,271	-	82,271
Total capital assets, being depreciated, net	\$ -	\$ 674,980	\$ -	\$ 674,980

During the year ended June 30, 2006, the District received donated furniture, equipment and vehicles from Clearfield City. The fair value of the donated assets was estimated to be \$421,108.

NOTE 5. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

Service revenue	\$ 199,552
Allowance and contractual adjustments and bad debts related to emergency service revenue	(22,751)
	<u>\$ 176,801</u>

NORTH DAVIS FIRE DISTRICT
A COMPONENT UNIT OF CLEARFIELD CITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 6. CAPITAL LEASES

The District is a component unit of Clearfield City and has entered into certain capital lease agreements with unrelated parties as well as agreements with Clearfield City under which the related equipment will become the property of the District when all terms of the basic agreements are met. During the current fiscal period, capital lease agreements with Clearfield City totaled \$155,996 and unrelated capital leases of \$86,900. Such agreements are included with capital lease obligations.

	Stated rate of Interest	Present Value of Remaining Payments as of June 30, 2006
Wheeled Coach Ambulance	4.05%	\$ 86,900
Pierce Fire Truck	3.15%	104,683
Pumper Fire Truck	4.12%	<u>43,328</u>
Total Capital Lease Obligations		<u>\$ 234,911</u>

Equipment and related accumulated depreciation under capital lease are as follows:

Equipment	\$ 336,143
Less: Accumulated Depreciation	<u>(29,160)</u>
Net Value	<u>\$ 306,983</u>

As of June 30, 2006, capital lease annual amortization are as follows:

2007	\$ 100,005
2008	62,888
2009	41,252
2010	19,615
2011	<u>19,615</u>
Total requirements	243,375
Less interest	<u>(8,464)</u>
Present Value of remaining payments	<u>\$ 234,911</u>

Amortization of leased equipment under capital assets is included with depreciation expense.

NORTH DAVIS FIRE DISTRICT
A COMPONENT UNIT OF CLEARFIELD CITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 7. RETIREMENT PLAN

Plan Description. The District contributes to the Local Governmental Non-contributory Retirement System (Systems), cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (URS). URS provides refunds, retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The URS issues a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement system and Local Governmental Noncontributory Retirement system. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy. The District is required to contribute 8.61% of the covered salaries to the Local Governmental Noncontributory Retirement System. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The District contributions to the Noncontributory Retirement System for the year ending June 30, 2006 was \$54,039. The contribution was equal to the required contributions for the year.

The District sponsors a defined contribution retirement plan under Section 401(k) of the Internal Revenue Code. This plan is administered by ICMA Retirement Corporation. It covers all eligible District employees. Participants are fully vested in employer and employee contributions. The District's contribution rate is determined by resolution of the Board of Directors. During the year ended June 30, 2006 the District contribution rate was to 4.39% of eligible pay. The required contributions amounted to \$41,098 and the participants contributions totaled \$2,300.

The District also participates in a deferred compensation plan under Section 457 of the Internal Revenue Code. The Utah Retirement System's adoption of Governmental Accounting Standards Board Statement No. 32 (GASB No. 32) Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, resulted in reporting the 457 plan as a Trust Fund of the ICMA Retirement Corporation. Employee contributions to the plan for the year ending June 30, 2006 were \$20,302.

NOTE 8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters for which the District carries commercial insurance. The District also carries commercial workers' compensation insurance. Settlement claims resulting from these risks have not exceeded commercial insurance coverage for the year ended June 30, 2006.

NORTH DAVIS FIRE DISTRICT
A COMPONENT UNIT OF CLEARFIELD CITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 9. COMMITMENTS

The District contracts with Clearfield City for emergency dispatch services. The contract cost for 2006 was \$60,000.

NOTE 10. RELATED PARTIES

Related parties of the District consist of Clearfield City and West Point City. The District rents building space from Clearfield City and additionally, the District has contracted with Clearfield City to provide, utilities and building maintenance, emergency dispatch services, and vehicle fuel and fleet maintenance. For the year ending June 30, 2006, revenues received from Clearfield City and West Point City were \$1,207,700 and \$130,000, respectively, and expenses for the following were paid to Clearfield City: building rent \$9,500, utilities and building maintenance \$3,994, emergency dispatch services \$60,000, and vehicle maintenance and fuel \$17,667.

NOTE 11. CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the District. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

NOTE 12. INSURANCE COVERAGE

Insurance coverage at June 30, 2006 consists of the following:

<u>Description</u>	<u>Amount of Coverage</u>
Commercial general liability	\$ 3,000,000
Professional liability	1,000,000
Director's & officer's liability	5,000,000
Public employee blanket bond	1,000,000
Vehicles	1,000,000
Workers compensation	Statutory limits

NOTE 13. SUBSEQUENT EVENT

A special tax election was held in the District on November 8, 2005 at which time the voters of the District authorized assessment of an annual tax at a rate not to exceed .0014 per dollar of taxable value on all taxable property within the District.

On September 12, 2006 Clearfield City Council as governing authority of the District adopted a resolution certifying a tax rate for the District of .0014 of the valuation of the taxable property in the District.

The District entered into a tax anticipation note Series 2006 of \$300,000 interest rate of 4.3% on October 3, 2006. Principal and interest is due June 29, 2007.

NORTH DAVIS FIRE DISTRICT

Government Auditing Standards and Other Required Reports

Year ended June 30, 2006

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Administrative Control Board
North Davis Fire District

We have audited the basic financial statements of North Davis Fire District (the District) as of and for the year ended June 30, 2006, and have issued our report thereon dated November 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to initiate, record, process, and report the financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 06-01.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 06-01 to be a material weakness.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement accounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Administrative Control Board, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Schmitt, Griffith, Simon & Co., P.C.

November 8, 2006

NORTH DAVIS FIRE DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of North Davis Fire District.
2. A reportable condition was disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of North Davis Fire District were disclosed during the audit.

FINDINGS – FINANCIAL STATEMENT AUDIT

06-01 Overstatement of Property and Equipment

Condition: A physical inspection of property and equipment revealed that two fire trucks were recorded twice while two ambulances were not recorded. A material audit adjustment was made to properly record the value of the two ambulances and to remove the two fire trucks recorded, which do not exist.

Recommendation: We recommend that policies and procedures be adopted which, among other things require a physical property and equipment count be performed annually.

Response: The overstatement of property and equipment occurred during the recording of the transfer of assets from Clearfield City. This is not a routine transaction that occurs during the operations of the District. Therefore, the probability that this type of transaction will result in a material misstatement of future financial statements is very slight. The District believes that reviewing the status of all fixed assets at least annually is a policy that should be adopted. The District will adopt this policy.

Status: The appropriate adjusting journal entries were made to the above mentioned condition.

INDEPENDENT AUDITORS' REPORT ON THE STATE OF UTAH LEGAL COMPLIANCE

To the Administrative Control Board
North Davis Fire District

We have audited the basic financial statements of North Davis Fire District, (the District) for the year ended June 30, 2006, and have issued our report thereon dated November 8, 2006. The District received the following nonmajor grants, which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the District's basic financial statements.)

Utah Emergency Medical Services (Department of Health)

Our audit also included testwork on the District's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Special Districts
- Other General Compliance issues
- Impact Fees

The District did not receive any major State grants during the year ended June 30, 2006.

The management of the District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued, by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.



We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed instances of noncompliance with the requirements referred to above, which are outlined in the accompanying schedule of findings and questioned costs. We considered these instances on noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, except for the instance of noncompliance listed on the accompanying schedule of findings and questioned costs, the District complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2006.

Schmitt, Diggiter, Smiron ; C.P.C.

November 8, 2006

**North Davis Fire District
State of Utah Legal Compliance Schedule of Findings
Year Ended June 30, 2006**

06-02 Cash Management

Condition: State law requires the deposit of public funds at least every three-business days. Our audit procedures, which entail testing a random sample of deposits during the year, disclosed instances of non-compliance with this requirement, which we are required to include in our report on State of Utah legal compliance.

Recommendation: We recommend that the District provide training for all employees responsible for cash deposits with the state requirement in an effort to more completely comply with the law.

Response: The District's personnel, who are responsible for depositing funds, have been instructed to deposit the funds in accordance with State law. Funds will be deposited within three business days of receipt.

06-03 Purchasing Policies

Condition: The District has established purchasing policies, as required under the Utah Procurement Code. During the audit, it was noted that the District's purchasing policy had been violated on several occasions.

Recommendation: We recommend that the District provide the necessary training to assure that all employees are aware of the requirements of the District's purchasing policy and that this policy be followed.

Response: The District adopted the purchasing policies that were being used by Clearfield City. Clearfield City's policies are designed for an organization with several departments. Therefore, the District is reviewing the policies to adapt them to the smaller size of the District. When the policies are revised, the District plans to review the policies with the employees on an annual basis.

**North Davis Fire District
State of Utah Legal Compliance Schedule of Findings, Continued
Year Ended June 30, 2006**

06-04 Local Telephone Directory Listing

Condition: State law requires the district to provide a written certification to the County Treasurer confirming that the required information has been provided to the local telephone company for the District to be included in the telephone directory. It was noted that the district did not provide this written certification to the County Treasurer as required.

Recommendation: It is recommended that the District implement the necessary steps and training required to assure that in future years a written certification is sent to the County Treasurer as required by law.

Response: The District has subsequently provided written certification to the County Treasurer, and will provide written certification in the future in a timely manner.